

Required Supplementary Information

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General and Major Special Revenue Funds**

Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	General Fund			Final/Actual
	Original	Final	Actual	Variance
	Budget	Budget		Positive
				(Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 8,334,700	\$ 9,170,400	\$ 9,308,570	\$ 138,170
Sales and Use	3,049,700	3,006,300	3,029,949	23,649
Corporation Income	508,200	851,500	871,554	20,054
Public Service Corporations	88,600	90,600	89,992	(608)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	413,700	392,500	373,781	(18,719)
Other Taxes	997,300	1,230,500	1,222,590	(7,910)
Rights and Privileges	57,800	62,500	65,212	2,712
Sales of Property and Commodities	100	6,300	7,026	726
Assessments and Receipts for Support of Special Services	400	400	332	(68)
Institutional Revenue	8,600	9,200	8,235	(965)
Interest, Dividends, and Rents	96,985	118,579	142,429	23,850
Fines, Forfeitures, Court Fees, Penalties, and Escheats	199,000	161,600	145,189	(16,411)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	9,200	9,500	9,999	499
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	51,100	52,978	47,852	(5,126)
Other	52,468	65,899	81,353	15,454
Total Revenues	13,867,853	15,228,756	15,404,063	175,307
Expenditures:				
Current:				
General Government	1,548,804	1,388,701	1,342,711	45,990
Education	6,752,214	6,858,325	6,767,114	91,211
Transportation	154	44	43	1
Resources and Economic Development	265,057	298,832	280,689	18,143
Individual and Family Services	3,583,553	3,693,804	3,652,319	41,485
Administration of Justice	2,078,445	2,239,874	2,221,646	18,228
Capital Outlay	51,869	143,292	85,952	57,340
Total Expenditures	14,280,096	14,622,872	14,350,474	272,398
Revenues Over (Under) Expenditures	(412,243)	605,884	1,053,589	447,705
Other Financing Sources (Uses):				
Transfers:				
Transfers In	623,909	612,667	651,262	38,595
Transfers Out	(584,102)	(646,516)	(680,173)	(33,657)
Proceeds from Notes Payable	-	-	-	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	39,807	(33,849)	(28,911)	4,938
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(372,436)	572,035	1,024,678	452,643
Fund Balance, July 1, as restated	1,865,343	1,865,343	1,865,343	-
Fund Balance, June 30	\$ 1,492,907	\$ 2,437,378	\$ 2,890,021	\$ 452,643

See notes on page 155 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
444,272	460,002	456,464	(3,538)
-	-	-	-
-	-	-	-
904,272	877,664	892,027	14,363
615,991	601,581	593,097	(8,484)
-	-	-	-
13,041	32,816	36,988	4,172
429,163	472,664	502,317	29,653
556	556	8,125	7,569
11,847	18,500	19,025	525
-	-	-	-
9,316	16,658	75,837	59,179
10,304	20,276	9,850	(10,426)
1,161,963	1,096,468	524,847	(571,621)
32,058	57,620	77,021	19,401
-	-	5,952	5,952
-	-	-	-
58,980	23,239	52,392	29,153
3,691,763	3,678,044	3,253,942	(424,102)
21,230	1,766	1,722	44
2,173	2,173	2,173	-
4,180,385	4,874,406	3,144,811	1,729,595
19,602	20,070	14,312	5,758
-	-	-	-
7,292	7,692	7,427	265
44,797	72,616	20,999	51,617
4,275,479	4,978,723	3,191,444	1,787,279
(583,716)	(1,300,679)	62,498	1,363,177
204,933	206,458	237,822	31,364
(112,365)	(382,034)	(300,687)	81,347
-	-	96,515	96,515
250,000	250,000	250,000	-
14,470	14,470	18,592	4,122
357,038	88,894	302,242	213,348
(226,678)	(1,211,785)	364,740	1,576,525
1,396,220	1,396,220	1,396,220	-
\$ 1,169,542	\$ 184,435	\$ 1,760,960	\$ 1,576,525

Continued on next page

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General and Major Special Revenue Funds** *(Continued from previous page)*

Fiscal Year Ended June 30, 2006

(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Public Service Corporations	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	70	40	40	-
Sales of Property and Commodities	176	150	376	226
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	352	236	2,667	2,431
Fines, Forfeitures, Court Fees, Penalties, and Escheats	95	151	43	(108)
Federal Grants and Contracts	4,854,012	5,318,770	5,456,954	138,184
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	54,609	23,717	81,247	57,530
Total Revenues	4,909,314	5,343,064	5,541,327	198,263
Expenditures:				
Current:				
General Government	48,976	162,601	117,470	45,131
Education	453,118	670,835	651,239	19,596
Transportation	36,412	25,074	13,072	12,002
Resources and Economic Development	219,261	234,431	208,332	26,099
Individual and Family Services	4,081,213	4,151,793	4,486,644	(334,851)
Administration of Justice	50,394	60,734	45,225	15,509
Capital Outlay	19,885	37,577	21,513	16,064
Total Expenditures	4,909,259	5,343,045	5,543,495	(200,450)
Revenues Over (Under) Expenditures	55	19	(2,168)	(2,187)
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	8,840	8,840
Transfers Out	(55)	(19)	(6,672)	(6,653)
Proceeds from Notes Payable	-	-	-	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	(55)	(19)	2,168	2,187
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
Fund Balance, July 1, as restated	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

See notes on page 155 in this section.

Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2006, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison
Budgetary Basis to GAAP Basis
June 30, 2006

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	\$ 2,890,021	\$ 1,760,960	\$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	748,856	131,431	-
Tax Refunds	(260,028)	-	-
Other Revenue/Other Sources	(11,864)	74,288	373,382
Deferred Taxes (2)	(411,320)	-	-
Medicaid Payable	(172,975)	-	(176,092)
Accrued Expenditures/Other Uses	(647,203)	(135,301)	(147,603)
Fund Balance, Modified Accrual Basis	<u>\$ 2,135,487</u>	<u>\$ 1,831,378</u>	<u>\$ 49,687</u>

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.Q.

2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2006, except the Literary Fund which has no approved budget.

(Dollars in Thousands)

	General Fund (9)	Commonwealth Transportation Fund (10)	Federal Trust Fund (11)
Appropriations (1)	\$ 14,280,096	\$ 4,134,744	\$ 4,909,259
Supplemental Appropriations:			
Reappropriations (2)	202,985	47,424	38,981
Subsequent Executive (3)	8,227	914,446	504,781
Subsequent Legislative (4)	512,972	-	(81,364)
Capital Outlay and Operating Reversions (5)	(253)	-	-
Deficit (6)	158,477	-	-
Transfers (7)	(532,237)	244,575	(5,360)
Capital Outlay Adjustment (8)	(7,395)	(25,999)	(23,252)
Appropriations, as adjusted	<u>\$ 14,622,872</u>	<u>\$ 5,315,190</u>	<u>\$ 5,343,045</u>

1. Represents the budget appropriated through Chapter 951, 2005 Acts of Assembly, as amended by Chapter 2, 2006 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents additional appropriations authorized by the Governor to prevent agencies from incurring deficits. The deficit appropriation is primarily attributable to \$134.2 million for a one day early payment of the payroll normally paid on July 1, and charged to the new fiscal year; \$17.0 million for additional home heating assistance at the Department of Social Services and the Department of Housing and Community Development; and \$7.3 million to address Base Realignment and Closure (BRAC) issues in the City of Virginia Beach.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.5 billion (General Fund) and \$1.7 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
8. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
9. Prior year reversions of \$15,280,643 are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
10. The Special Revenue Commonwealth Transportation Fund appropriations as reported in the Budget/Actual statement do not include debt service amounts of \$336.5 million. These amounts are included above.
11. Appropriations do not include food stamp issuances of \$520.8 million since this is a noncash item; however, this amount is included in actual expenditures.

Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Biennial Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Virginia Retirement System (VRS) **						
2005	\$ 40,372	\$ 49,628	\$ 9,256	81.3%	\$ 12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
2003	39,243	40,698	1,455	96.4%	10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
2001	37,968	35,384	(2,584)	107.3%	10,145	(25.5%)
* 2000	34,392	32,643	(1,749)	105.4%	9,529	(18.4%)
1999	29,804	31,419	1,615	94.9%	9,138	17.7%
** 1998	25,481	29,027	3,546	87.8%	8,638	41.1%
* 1996	19,032	23,842	4,810	79.8%	7,769	61.9%
1994	14,891	20,405	5,514	73.0%	7,274	75.8%
State Police Officers' Retirement System (SPORS)						
2005	\$ 514	\$ 673	\$ 159	76.4%	\$ 91	174.7%
2004	511	656	145	77.9%	82	176.8%
2003	509	616	107	82.6%	79	135.4%
2002	508	595	87	85.4%	81	107.4%
2001	495	557	62	88.9%	83	74.7%
* 2000	441	513	72	86.0%	81	88.9%
1999	377	463	86	81.4%	77	111.7%
** 1998	322	425	103	75.8%	65	158.5%
* 1996	243	371	128	65.5%	60	213.3%
1994	201	277	76	72.6%	58	131.0%
Virginia Law Officers' Retirement System (VaLORS)						
2005	\$ 575	\$ 980	\$ 405	58.7%	\$ 307	131.9%
2004	509	927	418	54.9%	298	140.3%
2003	458	854	396	53.6%	292	135.6%
2002	418	806	388	51.9%	306	126.8%
2001	393	628	235	62.6%	320	73.4%
*** 2000	307	680	373	45.1%	315	118.4%
Judicial Retirement System (JRS)						
2005	\$ 288	\$ 402	\$ 114	71.6%	\$ 52	219.2%
2004	285	366	81	77.9%	48	168.8%
2003	282	348	66	81.0%	48	137.5%
2002	281	352	71	79.8%	48	147.9%
2001	277	342	65	81.0%	47	138.3%
* 2000	245	330	85	74.2%	45	188.9%
1999	210	302	92	69.5%	42	219.0%
** 1998	180	274	94	65.7%	39	241.0%
* 1996	138	243	105	56.8%	36	291.7%
1994	115	199	84	57.8%	33	254.5%

* Revised economic and demographic assumptions due to experience study.

** Change in benefit formula, unreduced early retirement age and in the actuarial amortization method.

*** The first actuarial valuation for the Virginia Law Officers' Retirement System, established on October 1, 1999, was performed as of June 30, 2000.

See Notes on following page.

Notes: Valuation Date: June 30, 2005

Actuarial Cost Method: Entry Age Normal

Amortization Method:

State Employees	Level percent, closed
Political Subdivision Employees	Level percent, open
Teachers	Level percent, closed
State Police / VA Law Officers / Judges	Level percent, closed

Payroll Growth Rate: 3.00%

Remaining Amortization Period:

State Employees	21 years
Political Subdivision Employees	21 years
Teachers	21 years
State Police / VA Law Officers / Judges	21 years

Asset Valuation Method: 5 year Smoothed Market

Actuarial Assumptions:

Investment Rate of Return (1)	7.50%
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Projected Salary Increases (1)

State / Political Subdivision Employees	3.50% to 5.73%
Teachers	3.75% to 6.20%
State Police / VA Law Officers	3.50% to 4.75%
Judges	3.50%

Cost of Living Adjustments 2.50%

(1) Includes inflation at 2.50%.

Claims Development Information – Risk Management

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1997	1998	1999	2000
1. Required contribution and investment revenue:				
Earned	\$ 6,664	\$ 7,537	\$ 6,780	\$ 6,478
Ceded (a)	-	-	-	-
Net earned	6,664	7,537	6,780	6,478
2. Unallocated expenses	453	464	703	1,223
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	2,095	2,760	2,719	2,263
Ceded (a)	-	-	-	-
Net incurred	2,095	2,760	2,719	2,263
4. Net paid (cumulative) as of:				
End of policy year	286	434	439	196
One year later	1,680	2,651	2,100	2,688
Two years later	2,602	3,261	2,938	3,322
Three years later	2,907	3,894	4,555	3,369
Four years later	3,028	4,183	4,873	3,447
Five years later	2,965	4,272	4,931	4,042
Six years later	3,063	4,314	5,144	4,062
Seven years later	3,065	4,327	5,144	
Eight years later	3,089	4,332		
Nine years later	3,089			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	2,095	2,760	2,719	2,263
One year later	3,352	4,080	5,509	4,801
Two years later	3,160	3,934	5,997	4,467
Three years later	3,300	4,565	5,769	3,589
Four years later	3,314	4,353	5,146	3,575
Five years later	3,052	4,378	5,955	4,211
Six years later	3,180	4,419	6,017	4,236
Seven years later	3,180	4,383	6,017	
Eight years later	3,089	4,484		
Nine years later	3,089			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	994	1,724	3,298	1,973

The Commonwealth provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987. For fiscal years 1992-2000, this insurance coverage was provided through the Department of General Services, Division of Risk Management. Effective July 1, 2000, this coverage was provided through the Department of Treasury, Division of Risk Management.

See Notes on page 162 in this section.

2001	2002	2003	2004	2005	2006
\$ 5,814	\$ 5,324	\$ 5,740	\$ 5,729	\$ 5,788	\$ 6,166
-	-	-	-	-	-
5,814	5,324	5,740	5,729	5,788	6,166
1,863	924	918	1,209	1,068	1,008
2,688	4,110	3,488	2,861	2,790	1,539
-	-	-	-	-	-
2,688	4,110	3,488	2,861	2,790	1,539
336	550	380	161	227	177
1,628	1,979	1,894	1,072	1,699	
2,388	2,291	2,181	1,420		
2,490	2,556	2,375			
2,530	2,864				
2,616					
-	-	-	-	-	-
2,688	4,110	3,488	2,861	2,790	1,539
3,752	4,458	3,237	3,302	3,563	
3,318	4,196	2,910	2,306		
3,270	3,734	2,619			
3,186	3,289				
3,171					
483	(821)	(869)	(555)	773	-

Claims Development Information – Health Care

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1997	1998	1999	2000
1. Required contribution and investment revenue:				
Earned	\$ 48,493	\$ 54,089	\$ 64,419	\$ 75,569
Ceded (a)	-	-	-	-
Net earned	48,493	54,089	64,419	75,569
2. Unallocated expenses	4,445	5,286	6,632	6,997
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	46,895	60,657	70,719	76,816
Ceded (a)	-	-	-	-
Net incurred	46,895	60,657	70,719	76,816
4. Net paid (cumulative) as of:				
End of policy year	40,631	53,219	62,219	68,336
One year later	46,895	-	-	-
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	46,895	60,657	70,719	74,417
One year later	46,895	60,657	70,719	74,417
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	(2,399)

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 162 in this section.

2001	2002	2003	2004	2005	2006
\$ 88,313	\$ 100,836	\$ 118,825	\$ 137,582	\$ 157,959	\$ 184,360
-	-	-	-	-	-
88,313	100,836	118,825	137,582	157,959	184,360
7,203	6,225	6,171	6,271	10,655	11,899
87,222	95,860	104,453	124,887	144,976	152,289
-	-	-	-	-	-
87,222	95,860	104,453	124,887	144,976	152,289
74,579	80,974	99,443	99,656	140,452	147,534
-	-	-	-	-	-
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
87,222	95,860	104,453	124,887	144,976	152,289
87,222	95,860	104,453	124,887	144,976	152,289
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A		
N/A	N/A				
N/A					
-	-	-	-	-	-

Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the Funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the Funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.